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13 UNITED STATES DISTRICT COURT  
14  
15 NORTHERN DISTRICT OF CALIFORNIA  
16

17 STEVEN TAORMINA, Individually and on  
18 Behalf of All Others Similarly Situated,

19 Plaintiff,

20 v.

21 ANNIE'S, INC., JOHN M. FORAKER,  
22 KELLY J. KENNEDY, and ZAHIR M.  
23 IBRAHIM,

24 Defendants.

Case No.:

**CLASS ACTION COMPLAINT FOR  
VIOLATIONS OF THE FEDERAL  
SECURITIES LAWS**

**JURY TRIAL DEMANDED**

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28  
CLASS ACTION COMPLAINT

1 Plaintiff Steven Taormina (“Plaintiff”), by and through his attorneys, alleges the  
2 following upon information and belief, except as to those allegations concerning Plaintiff, which  
3 are alleged upon personal knowledge. Plaintiff’s information and belief is based upon, among  
4 other things, his counsel’s investigation, which includes without limitation: (a) review and  
5 analysis of regulatory filings made by ANNIE’S, INC. (“Annie’s” or the “Company”), with the  
6 United States Securities and Exchange Commission (“SEC”); (b) review and analysis of press  
7 releases and media reports issued by and disseminated by Annie’s; and (c) review of other  
8 publicly available information concerning Annie’s.  
9

#### 10 **NATURE OF THE ACTION AND OVERVIEW**

11 1. This is a class action on behalf of purchasers of Annie’s securities between  
12 August 8, 2013 and June 3, 2014, inclusive (the “Class Period”), seeking to pursue remedies  
13 under the Securities Exchange Act of 1934 (the “Exchange Act”).  
14

15 2. Annie’s is a natural and organic food company. The Company offers over 135  
16 products in the following three product categories: meals; snacks; and dressings, condiments and  
17 other. The Company’s products are sold throughout the U.S. and Canada via a multi-channel  
18 distribution network that serves the mainstream grocery, mass merchandiser and natural retailer  
19 channels.  
20

21 3. On June 2, 2014, Annie’s disclosed in its Annual Report for the 2014 fiscal year  
22 that the Company had identified a material weakness in its internal control over financial  
23 reporting. According to the Company, the material weakness related to an insufficient  
24 complement of finance and accounting resources, including employee turnover, causing design  
25 deficiencies in certain areas in which the Company’s controls could not effectively detect  
26 misstatements that, in the aggregate, could be material to its consolidated financial statements.  
27  
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1 Specifically, the Company disclosed that: (1) the historical methodology for estimating certain  
2 trade allowances was not designed to include all related trade promotion costs subsequent to  
3 period end; and (2) the controls over accounting for contract manufacturing were not designed to  
4 precisely evaluate the valuation and accuracy of all contract manufacturing receivables and  
5 payables. According to Annie's, the material weakness resulted in audit adjustments during the  
6 fourth quarter ended March 31, 2014 and misstatements to the net sales, costs of goods sold,  
7 inventory, accounts receivable, prepaid expenses and other current assets, and accrued liabilities  
8 and revisions to the consolidated financial statements for the first three quarters of fiscal 2014,  
9 for the quarterly and annual statements for the 2013 fiscal year ended March 31, 2013, and the  
10 2012 fiscal year ended March 31, 2012.

11  
12  
13 4. On this news, shares of Annie's declined \$1.07 per share, over 3%, to close on  
14 June 2, 2014, at \$31.65 per share, on unusually heavy volume.

15 5. On June 3, 2014, after the market close, Annie's announced that its independent  
16 registered public accounting firm, PricewaterhouseCoopers LLP ("PwC"), was resigning  
17 effective the earlier of August 11, 2014 or the completion of the Company's filing with the SEC  
18 of the Form 10-Q for the period ending June 30, 2014. According to the Company, the Audit  
19 Committee was in the process of selecting a new independent registered public accounting firm.

20  
21 6. On this news, shares of Annie's declined \$2.53 per share, nearly 8%, to close on  
22 June 4, 2014, at \$30.07 per share, on unusually heavy volume.

23 7. Throughout the Class Period, Defendants made false and/or misleading  
24 statements, as well as failed to disclose material adverse facts about the Company's business,  
25 operations, and prospects. Specifically, Defendants made false and/or misleading statements  
26 and/or failed to disclose: (1) that the Company's historical methodology for estimating certain  
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1 trade allowances did not include all related trade promotion costs subsequent to period end; (2)  
 2 that the Company's accounting for contract manufacturing did not sufficiently evaluate the  
 3 valuation and accuracy of all contract manufacturing receivables and payables; (3) that, as a  
 4 result, the Company's financial results were misstated; (4) that that the Company lacked  
 5 adequate internal and financial controls; and (5) that, as a result of the foregoing, the Company's  
 6 financial statements were materially false and misleading at all relevant times.

7  
 8 8. As a result of Defendants' wrongful acts and omissions, and the precipitous  
 9 decline in the market value of the Company's securities, Plaintiff and other Class members have  
 10 suffered significant losses and damages.

#### 11 **JURISDICTION AND VENUE**

12  
 13 9. The claims asserted herein arise under Sections 10(b) and 20(a) of the Exchange  
 14 Act (15 U.S.C. §§78j(b) and 78t(a)) and Rule 10b-5 promulgated thereunder by the SEC (17  
 15 C.F.R. § 240.10b-5).

16 10. This Court has jurisdiction over the subject matter of this action pursuant to 28  
 17 U.S.C. §1331 and Section 27 of the Exchange Act (15 U.S.C. §78aa).

18 11. Venue is proper in this Judicial District pursuant to 28 U.S.C. §1391(b) and  
 19 Section 27 of the Exchange Act (15 U.S.C. §78aa(c)). Substantial acts in furtherance of the  
 20 alleged fraud or the effects of the fraud have occurred in this Judicial District. Many of the acts  
 21 charged herein, including the preparation and dissemination of materially false and/or misleading  
 22 information, occurred in substantial part in this Judicial District. Additionally, Annie's principal  
 23 executive offices are located within this Judicial District.  
 24

25  
 26 12. In connection with the acts, transactions, and conduct alleged herein, Defendants  
 27 directly and indirectly used the means and instrumentalities of interstate commerce, including the  
 28

1 United States mail, interstate telephone communications, and the facilities of a national securities  
2 exchange.

3 **PARTIES**

4 13. Plaintiff Steven Taormina, as set forth in the accompanying certification,  
5 incorporated by reference herein, purchased Annie's common stock during the Class Period, and  
6 suffered damages as a result of the federal securities law violations and false and/or misleading  
7 statements and/or material omissions alleged herein.  
8

9 14. Defendant Annie's is a Delaware corporation with its principal executive offices  
10 located at 1610 Fifth Street, Berkeley, CA 94710.

11 15. Defendant John M. Foraker ("Foraker") was, at all relevant times, Chief  
12 Executive Officer ("CEO") and a director of Annie's.  
13

14 16. Defendant Kelly J. Kennedy ("Kennedy") was, at all relevant times, Chief  
15 Financial Officer ("CFO") of Annie's until November 12, 2013.

16 17. Defendant Zahir M. Ibrahim ("Ibrahim") was, at all relevant times, CFO of  
17 Annie's since November 13, 2013.

18 18. Defendants Thomas, Kennedy, and Ibrahim are collectively referred to hereinafter  
19 as the "Individual Defendants." The Individual Defendants, because of their positions with the  
20 Company, possessed the power and authority to control the contents of Annie's reports to the  
21 SEC, press releases and presentations to securities analysts, money and portfolio managers and  
22 institutional investors, *i.e.*, the market. Each defendant was provided with copies of the  
23 Company's reports and press releases alleged herein to be misleading prior to, or shortly after,  
24 their issuance and had the ability and opportunity to prevent their issuance or cause them to be  
25 corrected. Because of their positions and access to material non-public information available to  
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1 them, each of these defendants knew that the adverse facts specified herein had not been  
 2 disclosed to, and were being concealed from, the public, and that the positive representations  
 3 which were being made were then materially false and/or misleading. The Individual  
 4 Defendants are liable for the false statements pleaded herein, as those statements were each  
 5 “group-published” information, the result of the collective actions of the Individual Defendants.  
 6

## 7 **SUBSTANTIVE ALLEGATIONS**

### 8 **Background**

9 19. Annie’s is a natural and organic food company. The Company offers over 135  
 10 products in the following three product categories: meals; snacks; and dressings, condiments and  
 11 other. The Company’s products are sold throughout the U.S. and Canada via a multi-channel  
 12 distribution network that serves the mainstream grocery, mass merchandiser and natural retailer  
 13 channels.  
 14

### 15 **Materially False and Misleading** 16 **Statements Issued During the Class Period**

17 20. The Class Period begins on August 8, 2013. On this day, Annie’s issued a press  
 18 release entitled, “Annie’s Reports First Quarter Fiscal 2014 Financial Results.” Therein, the  
 19 Company, in relevant part, stated:

20 Annie’s, Inc. (NYSE: BNNY), a leading natural and organic food company, today  
 21 announced financial results for its first quarter of fiscal 2014, ended June 30,  
 22 2013.

#### 23 **Highlights:**

- 24 • Net sales for the first quarter were \$39.0 million, an increase of  
 25 13.8%; Retail consumption remained strong, increasing  
 26 approximately 20%
- 27 • Diluted EPS for the first quarter was \$0.12; adjusted diluted EPS was  
 28 \$0.13, an increase of 5.0%

- **Management reaffirms full-year guidance, including adjusted net sales growth of 18% to 20% and adjusted diluted EPS of \$0.97 to \$1.01, an increase of 21% to 26%**

“Our products continue to perform exceptionally well in the marketplace, as we benefit from the strength of the Annie’s brand, the quality of our products, and our efforts to expand and improve distribution,” commented John Foraker, CEO of Annie’s. “Our strong retail execution is reflected in our consumption growth, which accelerated during the first quarter. While our financial results were negatively impacted by the timing of Easter deliveries and the implementation of an inventory optimization system by a large customer, we expect results for future periods to better reflect our underlying business momentum. We are encouraged by a strong start to our fiscal second quarter and remain on track to achieve our full-year financial targets.

“In addition to a healthy base business, we expect innovation to be a larger contributor to net sales growth over the balance of the year,” continued Foraker. “Retailer acceptance of our new microwavable mac & cheese cups has been strong, and initial orders are ahead of our expectations. Today, we also announced an exciting addition to our frozen line-up with our entry into family-size frozen entrées. Our introduction of frozen entrées is the latest example of our efforts to increase the relevance of the Annie’s brand by developing great-tasting, high-quality products that meet the needs of the entire family,” concluded Foraker.

### **First Quarter Results**

For the first quarter, Annie’s reported net sales of \$39.0 million, a 13.8% increase over last year’s first quarter. Shipments lagged consumption growth, which accelerated to approximately 20% in the quarter with all sales channels contributing double-digit growth. Net sales growth in the first quarter was led by snacks. Meals also contributed to net sales growth, but declined slightly as a percentage of net sales due to shipment timing associated with distributor inventory reductions. Dressings, condiments and other products experienced improved growth trends but declined as a percentage of net sales compared to the prior year.

EBITDA for the quarter was \$3.8 million, with adjusted EBITDA increasing 6.9% to \$4.4 million. Adjusted EBITDA grew at a slower rate than net sales due to a year-over-year decrease in gross margin percentage, which more than offset improved selling, general and administrative expenses as a percentage of net sales.

Net income for the quarter was \$2.0 million, or \$0.12 per diluted share, as compared to \$2.1 million, or \$0.12 per diluted share, in the first quarter of fiscal 2013. Adjusted net income was \$2.2 million, or \$0.13 per diluted share, as

1 compared to adjusted net income of \$2.1 million, or \$0.12 per diluted share, in the  
2 first quarter of fiscal 2013.

### 3 **Fiscal 2014 Outlook**

4 Annie's continues to expect the following financial results for fiscal 2014:

- 5 • Adjusted net sales growth of 18% to 20%
- 6 • Adjusted EBITDA of \$31 to \$32 million
- 7 • Adjusted diluted EPS of \$0.97 to \$1.01, representing 21% to 26% growth,  
8 based on an estimated 17.5 million diluted shares outstanding

9 (Footnotes Omitted).

10 21. On August 8, 2013, Annie's filed its Quarterly Report with the SEC on Form 10-  
11 Q for the 2014 fiscal first quarter. The Company's Form 10-Q was signed by Defendant  
12 Kennedy, and reaffirmed the Company's financial results previously announced that day. The  
13 Company's Form 10-Q also contained required Sarbanes-Oxley certifications, signed by  
14 Defendants Foraker and Kennedy, who certified:  
15

- 16 1. I have reviewed this Quarterly Report on Form 10-Q of Annie's, Inc.;
- 17 2. Based on my knowledge, this report does not contain any untrue statement  
18 of a material fact or omit to state a material fact necessary to make the  
19 statements made, in light of the circumstances under which such  
20 statements were made, not misleading with respect to the period covered  
21 by this report;
- 22 3. Based on my knowledge, the financial statements, and other financial  
23 information included in this report, fairly present in all material respects  
24 the financial condition, results of operations and cash flows of the  
25 registrant as of, and for, the periods presented in this report;
- 26 4. The registrant's other certifying officer and I are responsible for  
27 establishing and maintaining disclosure controls and procedures (as  
28 defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal  
control over financial reporting (as defined in Exchange Act Rules 13a-  
15(f) and 15d-15(f)) for the registrant and have:



- 1 (a) Designed such disclosure controls and procedures, or caused such  
disclosure controls and procedures to be designed under our  
2 supervision, to ensure that material information relating to the  
3 registrant, including its consolidated subsidiaries, is made known  
to us by others within those entities, particularly during the period  
4 in which this report is being prepared;
- 5 (b) Designed such internal control over financial reporting, or caused  
such internal control over financial reporting to be designed under  
6 our supervision, to provide reasonable assurance regarding the  
7 reliability of financial reporting and the preparation of financial  
statements for external purposes in accordance with generally  
8 accepted accounting principles;
- 9 (c) Evaluated the effectiveness of the registrant's disclosure controls  
and procedures and presented in this report our conclusions about  
10 the effectiveness of the disclosure controls and procedures, as of  
the end of the period covered by this report based on such  
11 evaluation; and
- 12 (d) Disclosed in this report any change in the registrant's internal  
control over financial reporting that occurred during the  
13 registrant's most recent fiscal quarter (the registrant's fourth fiscal  
quarter in the case of an annual report) that has materially affected,  
14 or is reasonably likely to materially affect, the registrant's internal  
control over financial reporting; and
- 15 5. The registrant's other certifying officer and I have disclosed, based on our  
most recent evaluation of internal control over financial reporting, to the  
16 registrant's auditors and the audit committee of the registrant's board of  
17 directors (or persons performing the equivalent functions):
- 18 (a) All significant deficiencies and material weaknesses in the design  
or operation of internal control over financial reporting which are  
19 reasonably likely to adversely affect the registrant's ability to  
record, process, summarize and report financial information; and
- 20 (b) Any fraud, whether or not material, that involves management or  
other employees who have a significant role in the registrant's  
21 internal control over financial reporting.
- 22
- 23
- 24

25 22. On November 7, 2013, Annie's issued a press release entitled, "Annie's Reports  
26 Second Quarter Fiscal 2014 Financial Results." Therein, the Company, in relevant part, stated:  
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28

Announces Agreement to Acquire Safeway's Joplin Plant, Annie's Primary  
Cookie and Cracker Manufacturer

Annie's, Inc. (NYSE: BNNY), a leading natural and organic food company, today announced financial results for its second quarter of fiscal 2014, ended September 30, 2013.

**Highlights:**

- **Net sales were \$58.7 million in the second quarter; adjusted net sales were \$57.9 million, an increase of 24.0%**
- **Consumption grew an estimated 22% in the second quarter, representing further acceleration versus prior growth trends**
- **Diluted EPS was \$0.32 in the second quarter; adjusted diluted EPS was \$0.28, an increase of 19.1%**
- **As previously announced, management expects to achieve the upper end of its net sales guidance range and the lower end of adjusted diluted EPS guidance range for its fiscal 2014**
- **Annie's announces agreement to acquire its primary cookie and cracker manufacturing plant, positioning its snacks business for long-term growth**

"We experienced accelerated growth in both shipments and consumption during the quarter, as we benefited from continued base business strength and the successful rollout of our new microwavable mac & cheese cups and family-size frozen entrées," commented John Foraker, CEO of Annie's. "Year-to-date consumption growth, which is in excess of 20%, is the strongest since our IPO and gives us increased confidence in our sales outlook.

"While we are very pleased with our top-line performance and strong operating expense leverage, gross margin was impacted by changes in customer mix and, to a lesser extent, higher-than-expected sales of new products and above-normal inventory obsolescence. Nevertheless, we expect to exit the year with more normalized gross margin trends.

"Our ability to generate strong growth across product categories and sales channels gives us confidence in our long-term growth prospects. One of our biggest growth opportunities is in our snacks business, which remains highly under-penetrated relative to its potential. The planned acquisition of Safeway's cookie and cracker manufacturing plant in Joplin, Missouri will provide us with valuable long-term scale benefits, which we expect will enable us to accelerate our pace of innovation and distribution growth in snacks."

## Second Quarter Results

For the second quarter, Annie's reported net sales of \$58.7 million. Excluding the benefit to net sales from the pizza recall, primarily related to insurance recoveries, adjusted net sales increased 24.0% to \$57.9 million, driven by significant increases in conventional sales channels. Net sales growth in the second quarter was led by meals, which benefited from continued strength in mac & cheese and initial shipments of our new family-size frozen entrées. Net sales of snacks and dressings, condiments and other products were also strong, growing double digits on a year-over-year basis.

EBITDA for the quarter was \$9.7 million, with adjusted EBITDA increasing 15.6% year-over-year to \$8.8 million. Adjusted EBITDA was driven by strong net sales growth and improved selling, general and administrative expenses as a percentage of net sales, partially offset by a lower gross margin percentage year-over-year.

Net income for the quarter was \$5.6 million, or \$0.32 per diluted share, as compared to \$3.8 million, or \$0.21 per diluted share, in the second quarter of fiscal 2013. Adjusted net income was \$4.9 million, or \$0.28 per diluted share, as compared to adjusted net income of \$4.2 million, or \$0.24 per diluted share, in the second quarter of fiscal 2013.

## Fiscal 2014 Outlook

- Annie's expects the following financial results for the current fiscal year:
- Adjusted net sales growth toward the upper end of 18% to 20% guidance range
- Adjusted EBITDA of approximately \$31 million
- Adjusted diluted EPS toward the lower end of \$0.97 to \$1.01 guidance range

## Planned Acquisition of Safeway's Joplin Plant

Annie's also announced that on November 5, 2013, the Company entered into a definitive agreement with Safeway Inc. and Safeway Australia Holdings, Inc. to acquire the snack manufacturing plant in Joplin, Missouri, which has been Annie's primary manufacturer of cookie and cracker products since the inception of its snacks business in 2002. Under the agreement, the purchase price will be \$6.0 million, plus the cost of inventory and supplies at closing. Annie's expects to fund the acquisition with cash on hand and, if necessary, by drawing under its revolving credit facility. Including the impact of previously planned efficiency

1 projects, the acquisition is not expected to materially impact net income in fiscal  
2 2015.

3 Annie's products produced in the Joplin plant currently account for over 50% of  
4 its overall snacks net sales and represent the majority of the plant's total  
5 production volume. In connection with the closing of the acquisition, which is  
6 expected to occur in the first quarter of Annie's fiscal 2015 and is subject to the  
7 satisfaction of various closing conditions, Annie's expects to enter into a three-  
8 year supply agreement to produce products on behalf of an affiliate of Safeway  
9 Inc.

10 "The Joplin plant is of high strategic value to Annie's," said Mr. Foraker. "The  
11 planned acquisition of the plant is consistent with our asset-light business model  
12 and provides capacity for future growth, a platform for innovation and an  
13 opportunity to further control and improve our cost structure."

14 Added Amanda Martinez, EVP, Operations and Administration of Annie's,  
15 "Having overseen the Joplin plant during my tenure with Safeway, I can speak  
16 first-hand to the focus on quality at the plant as well as the caliber of its  
17 workforce. We look forward to welcoming the plant's employees to the Annie's  
18 family."

19 (Footnotes Omitted).

20 23. On November 7, 2013, Annie's filed its Quarterly Report with the SEC on Form  
21 10-Q for the 2014 fiscal second quarter. The Company's Form 10-Q was signed by Defendant  
22 Kennedy, and reaffirmed the Company's financial results previously announced that day. The  
23 Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by  
24 Defendants Foraker and Kennedy, substantially similar to the certifications contained in ¶21,  
25 *supra*.

26 24. On February 10, 2014, Annie's issued a press release entitled, "Annie's Reports  
27 Third Quarter Fiscal 2014 Financial Results." Therein, the Company, in relevant part, stated:

28 Annie's, Inc. (NYSE: BNNY), a leading natural and organic food company, today  
announced financial results for its third quarter of fiscal 2014, ended December  
31, 2013.

**Highlights:**

- Net sales were \$46.2 million in the third quarter; adjusted net sales were \$46.1 million, an increase of 21.7%
- Consumption grew an estimated 24% in the third quarter, representing further acceleration versus prior growth trends
- Diluted EPS were \$0.16 in the third quarter; adjusted diluted EPS were \$0.17, an increase of 7.6%
- Management lowers guidance for adjusted diluted EPS to \$0.92 to \$0.93, reflecting higher anticipated cost pressure in the fourth quarter

“Our results reflected continued top-line strength and accelerating momentum in consumption, driven by growing brand awareness, expansion in our mainline distribution, and the success of our new products,” commented John Foraker, CEO of Annie’s. “Consumers continue to adopt natural and organic food into their lifestyles and are demanding greater transparency in food labeling, which are important and positive trends for us.

“Earnings in the quarter reflected an improved gross margin trend versus the second quarter, as well as significant investments in our brand and the expansion of our talent base to help us meet the needs of our rapidly growing business. We expect solid adjusted earnings per share growth in the fourth quarter, despite tight supply conditions in the organic wheat market, the timing of certain productivity projects and a later Easter holiday this year.

“Importantly, our authentic and trusted brand, the additions we are making to our team and our deep innovation pipeline position us well for fiscal 2015 and beyond,” concluded Foraker.

### **Third Quarter Results**

For the third quarter, Annie’s reported net sales of \$46.2 million. Excluding the benefit to net sales from the pizza recall, primarily related to insurance recoveries, adjusted net sales increased 21.7% to \$46.1 million. Net sales growth in the third quarter was led by strength in meals, which benefited from continued base business strength and new product introductions, especially in mac & cheese.

EBITDA for the quarter was \$5.2 million, with adjusted EBITDA increasing 8.2% year-over-year to \$5.6 million. Adjusted EBITDA growth was driven by strong net sales growth, partially offset by a lower adjusted gross margin percentage year-over-year, resulting from higher commodity costs and inventory obsolescence. Adjusted selling, general and administrative expenses improved slightly as a percentage of adjusted net sales, as investments in marketing and headcount growth were supported by leverage from the strong sales growth.

Net income for the quarter was \$2.8 million, or \$0.16 per diluted share, as compared to \$1.4 million, or \$0.08 per diluted share, in the third quarter of fiscal 2013. Adjusted net income was \$2.9 million, or \$0.17 per diluted share, as compared to adjusted net income of \$2.7 million, or \$0.15 per diluted share, in the third quarter of fiscal 2013.

#### **Revised Fiscal 2014 Outlook**

The company updated its fiscal 2014 financial outlook to reflect the following:

- Adjusted net sales growth of 19.0% to 19.5% (narrowed within prior guidance range)
- Adjusted EBITDA of \$29 million to \$30 million (updated from approximately \$31 million)
- Adjusted diluted EPS of \$0.92 to \$0.93 (updated from the lower end of \$0.97 to \$1.01)

(Footnotes Omitted).

25. On February 10, 2014, Annie's filed its Quarterly Report with the SEC on Form 10-Q for the 2014 fiscal third quarter. The Company's Form 10-Q was signed by Defendant Ibrahim, and reaffirmed the Company's financial results previously announced that day. The Company's Form 10-Q also contained Sarbanes-Oxley required certifications, signed by Defendants Foraker and Ibrahim, substantially similar to the certifications contained in ¶21, *supra*.

26. The statements contained in ¶¶20-25 were materially false and/or misleading when made because defendants failed to disclose or indicate the following: (1) that the Company's historical methodology for estimating certain trade allowances did not include all related trade promotion costs subsequent to period end; (2) that the Company's accounting for contract manufacturing did not sufficiently evaluate the valuation and accuracy of all contract manufacturing receivables and payables; (3) that, as a result, the Company's financial results were misstated; (4) that the Company lacked adequate internal and financial controls; and

(5) that, as a result of the foregoing, the Company's financial statements were materially false and misleading at all relevant times.

### **Disclosures at the End of the Class Period**

27. On May 29, 2014, after the market close, Annie's issued a press release entitled, "Annie's Reports Fourth Quarter and Fiscal 2014 Financial Results." Therein, the Company, in relevant part, stated:

Annie's, Inc. (NYSE: BNNY), a leading natural and organic food company, today announced financial results for the fourth quarter and fiscal year ended March 31, 2014.

#### **Highlights:**

- **Net sales were \$60.1 million in the fourth quarter and \$204.1 million for the fiscal year; adjusted net sales grew 16% and 19% for the fourth quarter and fiscal year, respectively**
- **Consumption grew an estimated 20% in the fourth quarter, despite the later Easter holiday, and grew approximately 21% for the fiscal year**
- **Diluted EPS was \$0.29 in the fourth quarter and \$0.88 for the fiscal year; adjusted diluted EPS<sup>1</sup> was \$0.29 for the quarter and \$0.86 for the fiscal year**
- **Management provides fiscal 2015 guidance, including adjusted net sales growth of 18% to 20% and adjusted diluted EPS in the range of \$0.88 to \$0.95**

"Annie's delivered another quarter of strong sales growth driven by both base business increases and successful innovation," commented John Foraker, CEO of Annie's. "The Annie's brand is performing exceptionally well in the marketplace, as we continue to benefit from strong consumption trends and growing retailer demand for natural and organic products.

"Despite our strong top-line growth, we were disappointed that our bottom line results fell short of expectations, primarily due to higher-than-expected input costs, in particular organic wheat. We have improved our forward cost coverage of organic wheat, and are broadly building capabilities across our supply chain to keep pace with our growth. We are also taking the necessary steps to improve



1 both our execution and the predictability of our financial results,” continued Foraker.

2 “As we enter fiscal 2015, our brand has never been stronger. Our consumers love  
3 what we stand for, knowing that in buying Annie’s, they are bringing home high-  
4 quality food from a brand they trust. We are a power brand for retailers, driving  
5 growth, profit, and share in the categories in which we chose to compete. Our  
6 consumption trends are running in the +20% range, driven by increased household  
7 penetration and strong unit volume growth, placing our brand in the top-tier of our  
8 industry. Importantly, Annie’s has a long growth runway, with opportunities to  
9 expand distribution of our mainline products and travel to many new categories  
10 through our rich innovation pipeline.”

11 “Although we anticipate some headwinds, including an inventory reduction by  
12 our largest customer, continued commodity inflation, and higher compensation  
13 expense as we build out our capabilities, we expect our bottom-line results to  
14 show significant improvement as the year progresses.”

15 “Our financial position remains strong. We generated strong operating cash flow  
16 in the fourth quarter, resulting in \$17 million in cash and no debt on the balance  
17 sheet at fiscal year-end. We expect to produce strong cash flow in fiscal 2015,  
18 while continuing to invest in future growth,” concluded Foraker.

#### 19 **Fourth Quarter and Full-Year Results**

20 For the fourth quarter, Annie’s reported net sales of \$60.1 million. Excluding the  
21 benefit to net sales from the pizza recall, primarily related to insurance recoveries,  
22 adjusted net sales increased 15.9% to \$59.8 million. Net sales growth in the fourth  
23 quarter was led by snacks, which grew 26% as a result of strength in fruit snacks,  
24 cookies, and crackers. Adjusted net sales of meals grew 11%, impacted by the  
25 timing of Easter shipments year-over-year. For the fiscal year, net sales were  
26 \$204.1 million, and adjusted net sales were \$203.0 million, an increase of 19.0%.

27 *In finalizing the fiscal 2014 results, the Company determined that its historical  
28 methodology for estimating certain trade allowances did not include all related  
trade promotion costs. Specifically, it did not consider trade promotion activities  
conducted by its customers after quarter end related to sales that occurred prior  
to that quarter end. As a result, the Company chose to revise its methodology  
used to estimate trade expenses, which resulted in \$0.6 million and \$0.4 million  
of higher trade expenses in the fourth quarter and fiscal year, respectively,  
reflected as a reduction in net sales. However, the financial impact of this  
change is not considered to be material to any prior or annual financial  
statements under accounting guidelines. The Company will revise its previously  
issued financial statements included in its Form 10-K.*



1 Gross margin for the quarter was 35.0%, while adjusted gross margin declined  
2 410 basis points to 34.6%. Gross margin performance was impacted by higher  
3 supply chain costs related to: 1) significant commodity inflation, especially  
4 organic wheat; 2) increased inventory obsolescence due in part to the impact of  
5 new products; and 3) mix changes. In addition to higher cost of goods sold, trade  
6 spending increased as a percentage of sales as a result of successful efforts to  
7 drive continued distribution and market share growth in a more competitive retail  
8 environment. For the fiscal year, gross margin was 37.1% and adjusted gross  
9 margin declined 290 basis points to 36.4%.

10 Selling, general and administrative expenses ("SG&A") for the quarter were  
11 20.2% of net sales, while adjusted SG&A improved by 380 basis points to 20.1%  
12 of adjusted net sales. SG&A expenses benefited from reduced incentive  
13 compensation expenses and general expense control. For the fiscal year, SG&A  
14 was 24.3% of net sales, and adjusted SG&A improved 180 basis points to 24.0%  
15 of adjusted net sales.

16 Adjusted EBITDA for the quarter increased 6.9% to \$8.9 million. For the fiscal  
17 year, adjusted EBITDA grew 7.9% to \$27.3 million.

18 Net income for the quarter was \$5.1 million, or \$0.29 per diluted share, compared  
19 to \$3.9 million, or \$0.22 per diluted share, in the fourth quarter of fiscal 2013.  
20 Adjusted net income was \$5.1 million, or \$0.29 per diluted share, compared to  
21 adjusted net income of \$4.7 million, or \$0.27 per diluted share, in the fourth  
22 quarter of fiscal 2013.

23 Net income for the fiscal year was \$15.3 million, or \$0.88 per diluted share,  
24 compared to \$11.3 million, or \$0.64 per diluted share, in fiscal 2013. Adjusted  
25 income was \$14.9 million, or \$0.86 per diluted share, compared to adjusted net  
26 income of \$13.9 million, or \$0.78 per diluted share, in fiscal 2013.

### 27 **Fiscal 2015 Outlook**

28 The Company expects to achieve adjusted net sales growth of 18% to 20%,  
including 14% to 16% growth in sales of Annie's branded products and four  
percentage points of net sales growth from contract manufacturing revenue related  
to the Company's recent acquisition of the Joplin plant. The Company's net sales  
outlook assumes a 3% to 4% impact on net sales from expected inventory  
reductions by its largest customer.

Adjusted EBITDA is expected to be in the range of \$29.5 to \$31.5 million, and  
adjusted diluted EPS of is expected to be in the range of \$0.88 to \$0.95.

While adjusted gross margin is expected to be comparable to fiscal 2014, despite  
the dilutive impact of non-core contract manufacturing revenue, the Company  
expects SG&A expense to increase as a percentage of net sales, reflecting planned

investments in people to support future growth, higher stock-based compensation costs and normalization of incentive compensation expense.

The Company expects first quarter results to be significantly impacted by a renewed inventory reduction focus by its largest customer, year-over-year commodity inflation and the phasing of investment spending to support new product introductions and base business growth. These factors are expected to result in an operating loss for the first quarter, the Company's seasonally smallest quarter.

The Company expects second half margins to show solid improvement on a year-over-year basis, reflecting the benefit of stronger net sales growth, planned pricing actions and cost savings associated with manufacturing efficiency projects.

The Company continues to expect the Joplin plant acquisition to be neutral to adjusted EPS in fiscal 2015.

(Emphasis added; footnotes omitted).

28. On this news, shares of Annie's declined \$2.16 per share, over 6%, to close on May 30, 2014, at \$32.72 per share, on unusually heavy volume.

29. On June 2, 2014, Annie's filed its Annual Report with the SEC on Form 10-K for the 2014 fiscal year. The Company's Form 10-K was signed by Defendants Foraker and Ibrahim, and reaffirmed the Company's financial results previously announced on May 29, 2014. The Company's Form 10-K also contained Sarbanes-Oxley required certifications, signed by Defendants Foraker and Ibrahim, substantially similar to the certifications contained in ¶21, *supra*.

30. With respect to its internal controls, the Company, in relevant part, stated:

**Management's Report on Internal Control over Financial Reporting**

\* \* \*

Our management, with the participation of our principal executive officer and principal financial officer, assessed the effectiveness of the Company's internal control over financial reporting as of March 31, 2014 using the criteria established in Internal Control - Integrated Framework (1992) issued by the Committee of

1 Sponsoring Organizations of the Treadway Commission (COSO). Based on this  
2 assessment and those criteria, management concluded that due to the material  
3 weakness described below, our internal control over financial reporting was not  
4 effective as of March 31, 2014.

5 A material weakness is a deficiency, or a combination of deficiencies, in internal  
6 control over financial reporting such that there is a reasonable possibility that a  
7 material misstatement of the company's annual or interim financial statements  
8 will not be prevented or detected on a timely basis.

9 The material weakness we identified relates to an insufficient complement of  
10 finance and accounting resources, including employee turnover, within the  
11 organization resulting in design deficiencies in certain areas in which our controls  
12 were not precise enough to detect misstatements that in the aggregate could be  
13 material to the consolidated financial statements. Specifically, we have  
14 determined that (1) our historical methodology for estimating certain trade  
15 allowances was not designed to include all related trade promotion costs  
16 subsequent to period end and (2) our controls over accounting for contract  
17 manufacturing were not designed with an appropriate level of precision to  
18 evaluate the valuation and accuracy of all contract manufacturing receivables and  
19 payables.

20 This material weakness did not result in any material misstatements of the  
21 Company's consolidated financial statements and disclosures for any interim  
22 periods during, or for the annual periods ended March 31, of fiscal 2014, 2013  
23 and 2012. This material weakness resulted in audit adjustments during our fourth  
24 quarter ended March 31, 2014 and immaterial misstatements to our net sales,  
25 costs of goods sold, inventory, accounts receivable, prepaid expenses and other  
26 current assets, and accrued liabilities and revisions to our consolidated financial  
27 statements for the first three interim periods of fiscal 2014, for the interim periods  
28 during and the annual period ended March 31 of fiscal 2013 and the year ended  
March 31, 2012. Additionally, this material weakness, if not remediated, could  
result in a material misstatement to our annual or interim consolidated financial  
statements that would not be prevented or detected on a timely basis.

The effectiveness of the Company's internal control over financial reporting as of  
March 31, 2014, has been audited by PricewaterhouseCoopers LLP, an  
independent registered public accounting firm, as stated in their report, which is  
included in Item 8, "Financial Statements and Supplementary Data" of this  
Annual Report on Form 10-K.

#### *Remedial Actions*

Management believes that significant progress has been made during the year  
ended March 31, 2014, and through the date of this report, in remediating the  
underlying causes of the material weakness. We have taken, and will continue to

1 take, a number of actions to remediate this material weakness. Among other  
2 things, we have:

- 3 • augmented and hired additional accounting and finance resources and  
4 professionals, including a new Chief Financial Officer in November 2013  
5 and a new Controller in March 2014, together with other new hires in the  
6 senior accounting and finance organization;
- 7 • developed and implemented an improved methodology and process for  
8 capturing and recording all trade promotion costs and this calculation will  
9 be reviewed by our Controller for each quarter;
- 10 • made our President responsible for the oversight of all items included in  
11 the calculation of gross to net sales;
- 12 • designed a control to review the reconciliations with our contract  
13 manufacturers on a quarterly basis;
- 14 • enhanced the documentation of our estimation and reconciliation of our  
15 contract manufacturing receivables and payables;
- 16 • engaged an external audit firm to assist with our internal audit function  
17 and SOX testing; and
- 18 • established a controls committee with participation from the Board of  
19 Directors, senior management and the aforementioned external audit firm,  
20 that reports directly to our Board of Directors.

21 In addition, under the direction of the audit committee of our board of directors,  
22 we will continue to develop and implement policies and procedures to improve  
23 the overall effectiveness of internal control over financial reporting. Management  
24 believes the foregoing efforts will effectively remediate the material weakness. As  
25 we continue to evaluate and work to improve our internal control over financial  
26 reporting, management may determine to take additional measures to address  
27 control deficiencies or determine to modify the remediation plan described above.  
28 We cannot assure you, however, when we will remediate such weakness, nor can  
we be certain of whether additional actions will be required or the costs of any  
such actions.

31. On this news, shares of Annie's declined \$1.07 per share, over 3%, to close on  
June 2, 2014, at \$31.65 per share, on unusually heavy volume.

32. On June 3, 2014, after the market close, Annie's filed a Current Report with the  
SEC on Form 8-K. Therein, the Company, in relevant part, stated:

**Item 4.01. Changes in Registrant's Certifying Accountant**

On June 1, 2014, the Audit Committee of the Board of Directors (the "Audit Committee") of Annie's Inc. (the "Company") was orally informed by its independent registered public accounting firm, PricewaterhouseCoopers LLP ("PwC"), that PwC was resigning effective the earlier of August 11, 2014 or the completion of the Company's filing with the Securities and Exchange Commission of the Form 10-Q for the period ending June 30, 2014. The resignation was confirmed in a letter delivered to the Audit Committee on June 2, 2014. The Audit Committee has commenced a process to select a new accounting firm to serve as the Company's independent registered public accounting firm.

The reports of PwC on the Company's financial statements for each of the two fiscal years ended March 31, 2014 and 2013 did not contain an adverse opinion or a disclaimer of opinion, nor were they qualified or modified as to uncertainty, audit scope or accounting principles.

During the fiscal years ended March 31, 2014 and 2013 and in the subsequent interim period through June 1, 2014, there were no "disagreements" (as defined in Item 304(a)(1)(iv) of Regulation S-K and the related instructions) with PwC on any matter of accounting principles or practices, financial statement disclosure, or auditing scope or procedure which, if not resolved to the satisfaction of PwC, would have caused PwC to make reference to the subject matter of such disagreements in their reports on the financial statements for such years.

During the fiscal years ended March 31, 2014 and 2013 and in the subsequent interim period through June 1, 2014, except for the material weakness in internal control over financial reporting identified by the Company in Item 9A of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014 (the "Form 10-K") and discussed below, there were no "reportable events" as defined in Item 304(a)(1)(v) of Regulation S-K of the rules and regulations of the Securities and Exchange Commission. The Audit Committee has discussed this matter with PwC.

The material weakness identified in the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2014 related to an insufficient complement of finance and accounting resources, including employee turnover, within the organization resulting in design deficiencies in certain areas in which our controls were not precise enough to detect misstatements that in the aggregate could be material to the consolidated financial statements. Specifically, management determined that (i) the Company's historical methodology for estimated certain trade allowances was not designed to include all related trade promotion costs subsequent to period end and (ii) the Company's controls over accounting for contract manufacturing were not designed with an appropriate level of precision to evaluate the valuation and accuracy of all contract manufacturing receivables and payables. The material weakness did not result in any material misstatements

of the Company's financial statements and disclosures for the fiscal years ended March 31, 2014, 2013 and 2012. The material weakness resulted in audit adjustments for the quarter ended March 31, 2014 and immaterial revisions to the Company's consolidated financial statements for the first three quarters of the fiscal year ended March 31, 2014, the interim periods during, and the annual period ended March 31, of fiscal year 2013 and the annual period ended March 31, of fiscal year 2012, which are included in its Annual Report on Form 10-K for the fiscal year ended March 31, 2014.

As disclosed in the Form 10-K, the Company believes that significant progress has been made during the year ended March 31, 2014, and through the date of this report, in remediating the underlying causes of the identified material weakness. The Company has taken, and will continue to take, a number of actions to remediate this material weakness.

The Company provided PwC with a copy of the disclosures it is making in this Current Report on Form 8-K and requested that PwC furnish a letter addressed to the Securities and Exchange Commission stating whether or not it agrees with the statements made herein. A copy of PwC's letter dated June 3, 2014 is attached as Exhibit 16.1 hereto.

While the Company has not engaged a new independent registered public accounting firm, it has begun a search process to identify PwC's successor. The Company will disclose its engagement of a new independent registered public accounting firm once the process has been completed and as required by Securities and Exchange Commission's rules and regulations.

33. On this news, shares of Annie's declined \$2.53 per share, nearly 8%, to close on June 4, 2014, at \$30.07 per share, on unusually heavy volume.

### **CLASS ACTION ALLEGATIONS**

34. Plaintiff brings this action as a class action pursuant to Federal Rule of Civil Procedure 23(a) and (b)(3) on behalf of a class, consisting of all those who purchased Annie's securities between August 8, 2013 and June 3, 2014, inclusive (the "Class Period") and who were damaged thereby (the "Class"). Excluded from the Class are Defendants, the officers and directors of the Company, at all relevant times, members of their immediate families and their legal representatives, heirs, successors or assigns and any entity in which Defendants have or had a controlling interest.

1           35.    The members of the Class are so numerous that joinder of all members is  
2 impracticable. Throughout the Class Period, Annie's securities were actively traded on the New  
3 York Stock Exchange (the "NYSE"). While the exact number of Class members is unknown to  
4 Plaintiff at this time and can only be ascertained through appropriate discovery, Plaintiff believes  
5 that there are hundreds or thousands of members in the proposed Class. Millions of Annie's  
6 shares were traded publicly during the Class Period on the NYSE. As of April 30, 2014, Annie's  
7 had 17,039,792 shares of common stock outstanding. Record owners and other members of the  
8 Class may be identified from records maintained by Annie's or its transfer agent and may be  
9 notified of the pendency of this action by mail, using the form of notice similar to that  
10 customarily used in securities class actions.  
11

12           36.    Plaintiff's claims are typical of the claims of the members of the Class as all  
13 members of the Class are similarly affected by Defendants' wrongful conduct in violation of  
14 federal law that is complained of herein.  
15

16           37.    Plaintiff will fairly and adequately protect the interests of the members of the  
17 Class and has retained counsel competent and experienced in class and securities litigation.  
18

19           38.    Common questions of law and fact exist as to all members of the Class and  
20 predominate over any questions solely affecting individual members of the Class. Among the  
21 questions of law and fact common to the Class are:

22                   (a)    whether the federal securities laws were violated by Defendants' acts as  
23 alleged herein;  
24

25                   (b)    whether statements made by Defendants to the investing public during the  
26 Class Period omitted and/or misrepresented material facts about the business, operations, and  
27 prospects of Annie's; and  
28



1 (c) to what extent the members of the Class have sustained damages and the  
2 proper measure of damages.

3 39. A class action is superior to all other available methods for the fair and efficient  
4 adjudication of this controversy since joinder of all members is impracticable. Furthermore, as  
5 the damages suffered by individual Class members may be relatively small, the expense and  
6 burden of individual litigation makes it impossible for members of the Class to individually  
7 redress the wrongs done to them. There will be no difficulty in the management of this action as  
8 a class action.  
9

10 **UNDISCLOSED ADVERSE FACTS**

11 40. The market for Annie's securities was open, well-developed and efficient at all  
12 relevant times. As a result of these materially false and/or misleading statements, and/or failures  
13 to disclose, Annie's securities traded at artificially inflated prices during the Class Period.  
14 Plaintiff and other members of the Class purchased or otherwise acquired Annie's securities  
15 relying upon the integrity of the market price of the Company's securities and market  
16 information relating to Annie's, and have been damaged thereby.  
17

18 41. During the Class Period, Defendants materially misled the investing public,  
19 thereby inflating the price of Annie's securities, by publicly issuing false and/or misleading  
20 statements and/or omitting to disclose material facts necessary to make Defendants' statements,  
21 as set forth herein, not false and/or misleading. Said statements and omissions were materially  
22 false and/or misleading in that they failed to disclose material adverse information and/or  
23 misrepresented the truth about Annie's business, operations, and prospects as alleged herein.  
24

25 42. At all relevant times, the material misrepresentations and omissions particularized  
26 in this Complaint directly or proximately caused or were a substantial contributing cause of the  
27  
28



1 damages sustained by Plaintiff and other members of the Class. As described herein, during the  
2 Class Period, Defendants made or caused to be made a series of materially false and/or  
3 misleading statements about Annie's financial well-being and prospects. These material  
4 misstatements and/or omissions had the cause and effect of creating in the market an  
5 unrealistically positive assessment of the Company and its financial well-being and prospects,  
6 thus causing the Company's securities to be overvalued and artificially inflated at all relevant  
7 times. Defendants' materially false and/or misleading statements during the Class Period  
8 resulted in Plaintiff and other members of the Class purchasing the Company's securities at  
9 artificially inflated prices, thus causing the damages complained of herein.  
10

#### 11 **LOSS CAUSATION**

12 43. Defendants' wrongful conduct, as alleged herein, directly and proximately caused  
13 the economic loss suffered by Plaintiff and the Class.  
14

15 44. During the Class Period, Plaintiff and the Class purchased Annie's securities at  
16 artificially inflated prices and were damaged thereby. The price of the Company's securities  
17 significantly declined when the misrepresentations made to the market, and/or the information  
18 alleged herein to have been concealed from the market, and/or the effects thereof, were revealed,  
19 causing investors' losses.  
20

#### 21 **SCIENTER ALLEGATIONS**

22 45. As alleged herein, Defendants acted with scienter in that Defendants knew that  
23 the public documents and statements issued or disseminated in the name of the Company were  
24 materially false and/or misleading; knew that such statements or documents would be issued or  
25 disseminated to the investing public; and knowingly and substantially participated or acquiesced  
26 in the issuance or dissemination of such statements or documents as primary violations of the  
27  
28

1 federal securities laws. As set forth elsewhere herein in detail, Defendants, by virtue of their  
2 receipt of information reflecting the true facts regarding Annie's, his/her control over, and/or  
3 receipt and/or modification of Annie's allegedly materially misleading misstatements and/or  
4 their associations with the Company which made them privy to confidential proprietary  
5 information concerning Annie's, participated in the fraudulent scheme alleged herein.

6  
7 **APPLICABILITY OF PRESUMPTION OF RELIANCE**  
8 **(FRAUD-ON-THE-MARKET DOCTRINE)**

9 46. The market for Annie's securities was open, well-developed and efficient at all  
10 relevant times. As a result of the materially false and/or misleading statements and/or failures to  
11 disclose, Annie's securities traded at artificially inflated prices during the Class Period. On  
12 October 21, 2013, the Company's stock closed at a Class Period high of \$51.84 per share.  
13 Plaintiff and other members of the Class purchased or otherwise acquired the Company's  
14 securities relying upon the integrity of the market price of Annie's securities and market  
15 information relating to Annie's, and have been damaged thereby.

16  
17 47. During the Class Period, the artificial inflation of Annie's stock was caused by the  
18 material misrepresentations and/or omissions particularized in this Complaint causing the  
19 damages sustained by Plaintiff and other members of the Class. As described herein, during the  
20 Class Period, Defendants made or caused to be made a series of materially false and/or  
21 misleading statements about Annie's business, prospects, and operations. These material  
22 misstatements and/or omissions created an unrealistically positive assessment of Annie's and its  
23 business, operations, and prospects, thus causing the price of the Company's securities to be  
24 artificially inflated at all relevant times, and when disclosed, negatively affected the value of the  
25 Company stock. Defendants' materially false and/or misleading statements during the Class  
26  
27  
28

1 Period resulted in Plaintiff and other members of the Class purchasing the Company's securities  
2 at such artificially inflated prices, and each of them has been damaged as a result.

3 48. At all relevant times, the market for Annie's securities was an efficient market for  
4 the following reasons, among others:

5 (a) Annie's stock met the requirements for listing, and was listed and actively  
6 traded on the NYSE, a highly efficient and automated market;

7 (b) as a regulated issuer, Annie's filed periodic public reports with the SEC  
8 and/or the NYSE;

9 (c) Annie's regularly communicated with public investors *via* established  
10 market communication mechanisms, including through regular dissemination of press releases  
11 on the national circuits of major newswire services and through other wide-ranging public  
12 disclosures, such as communications with the financial press and other similar reporting services;  
13 and/or

14 (d) Annie's was followed by securities analysts employed by brokerage firms  
15 who wrote reports about the Company, and these reports were distributed to the sales force and  
16 certain customers of their respective brokerage firms. Each of these reports was publicly  
17 available and entered the public marketplace.

18 49. As a result of the foregoing, the market for Annie's securities promptly digested  
19 current information regarding Annie's from all publicly available sources and reflected such  
20 information in Annie's stock price. Under these circumstances, all purchasers of Annie's  
21 securities during the Class Period suffered similar injury through their purchase of Annie's  
22 securities at artificially inflated prices and a presumption of reliance applies.

23  
24  
25  
26  
27 **NO SAFE HARBOR**

50. The statutory safe harbor provided for forward-looking statements under certain circumstances does not apply to any of the allegedly false statements pleaded in this Complaint. The statements alleged to be false and misleading herein all relate to then-existing facts and conditions. In addition, to the extent certain of the statements alleged to be false may be characterized as forward looking, they were not identified as “forward-looking statements” when made and there were no meaningful cautionary statements identifying important factors that could cause actual results to differ materially from those in the purportedly forward-looking statements. In the alternative, to the extent that the statutory safe harbor is determined to apply to any forward-looking statements pleaded herein, Defendants are liable for those false forward-looking statements because at the time each of those forward-looking statements was made, the speaker had actual knowledge that the forward-looking statement was materially false or misleading, and/or the forward-looking statement was authorized or approved by an executive officer of Annie’s who knew that the statement was false when made.

**FIRST CLAIM**  
**Violation of Section 10(b) of**  
**The Exchange Act and Rule 10b-5**  
**Promulgated Thereunder Against All Defendants**

51. Plaintiff repeats and realleges each and every allegation contained above as if fully set forth herein.

52. During the Class Period, Defendants carried out a plan, scheme and course of conduct which was intended to and, throughout the Class Period, did: (i) deceive the investing public, including Plaintiff and other Class members, as alleged herein; and (ii) cause Plaintiff and other members of the Class to purchase Annie’s securities at artificially inflated prices. In furtherance of this unlawful scheme, plan and course of conduct, defendants, and each of them, took the actions set forth herein.

1           53. Defendants (i) employed devices, schemes, and artifices to defraud; (ii) made  
2 untrue statements of material fact and/or omitted to state material facts necessary to make the  
3 statements not misleading; and (iii) engaged in acts, practices, and a course of business which  
4 operated as a fraud and deceit upon the purchasers of the Company's securities in an effort to  
5 maintain artificially high market prices for Annie's securities in violation of Section 10(b) of the  
6 Exchange Act and Rule 10b-5. All Defendants are sued either as primary participants in the  
7 wrongful and illegal conduct charged herein or as controlling persons as alleged below.  
8

9           54. Defendants, individually and in concert, directly and indirectly, by the use, means  
10 or instrumentalities of interstate commerce and/or of the mails, engaged and participated in a  
11 continuous course of conduct to conceal adverse material information about Annie's financial  
12 well-being and prospects, as specified herein.  
13

14           55. These defendants employed devices, schemes and artifices to defraud, while in  
15 possession of material adverse non-public information and engaged in acts, practices, and a  
16 course of conduct as alleged herein in an effort to assure investors of Annie's value and  
17 performance and continued substantial growth, which included the making of, or the  
18 participation in the making of, untrue statements of material facts and/or omitting to state  
19 material facts necessary in order to make the statements made about Annie's and its business  
20 operations and future prospects in light of the circumstances under which they were made, not  
21 misleading, as set forth more particularly herein, and engaged in transactions, practices and a  
22 course of business which operated as a fraud and deceit upon the purchasers of the Company's  
23 securities during the Class Period.  
24  
25

26           56. Each of the Individual Defendants' primary liability, and controlling person  
27 liability, arises from the following facts: (i) the Individual Defendants were high-level executives  
28

1 and/or directors at the Company during the Class Period and members of the Company's  
2 management team or had control thereof; (ii) each of these defendants, by virtue of their  
3 responsibilities and activities as a senior officer and/or director of the Company, was privy to and  
4 participated in the creation, development and reporting of the Company's internal budgets, plans,  
5 projections and/or reports; (iii) each of these defendants enjoyed significant personal contact and  
6 familiarity with the other defendants and was advised of, and had access to, other members of the  
7 Company's management team, internal reports and other data and information about the  
8 Company's finances, operations, and sales at all relevant times; and (iv) each of these defendants  
9 was aware of the Company's dissemination of information to the investing public which they  
10 knew and/or recklessly disregarded was materially false and misleading.  
11

12  
13 57. The defendants had actual knowledge of the misrepresentations and/or omissions  
14 of material facts set forth herein, or acted with reckless disregard for the truth in that they failed  
15 to ascertain and to disclose such facts, even though such facts were available to them. Such  
16 defendants' material misrepresentations and/or omissions were done knowingly or recklessly and  
17 for the purpose and effect of concealing Annie's financial well-being and prospects from the  
18 investing public and supporting the artificially inflated price of its securities. As demonstrated  
19 by Defendants' overstatements and/or misstatements of the Company's business, operations,  
20 financial well-being, and prospects throughout the Class Period, Defendants, if they did not have  
21 actual knowledge of the misrepresentations and/or omissions alleged, were reckless in failing to  
22 obtain such knowledge by deliberately refraining from taking those steps necessary to discover  
23 whether those statements were false or misleading.  
24  
25

26 58. As a result of the dissemination of the materially false and/or misleading  
27 information and/or failure to disclose material facts, as set forth above, the market price of  
28

1 Annie's securities was artificially inflated during the Class Period. In ignorance of the fact that  
2 market prices of the Company's securities were artificially inflated, and relying directly or  
3 indirectly on the false and misleading statements made by Defendants, or upon the integrity of  
4 the market in which the securities trades, and/or in the absence of material adverse information  
5 that was known to or recklessly disregarded by Defendants, but not disclosed in public  
6 statements by Defendants during the Class Period, Plaintiff and the other members of the Class  
7 acquired Annie's securities during the Class Period at artificially high prices and were damaged  
8 thereby.  
9

10 59. At the time of said misrepresentations and/or omissions, Plaintiff and other  
11 members of the Class were ignorant of their falsity, and believed them to be true. Had Plaintiff  
12 and the other members of the Class and the marketplace known the truth regarding the problems  
13 that Annie's was experiencing, which were not disclosed by Defendants, Plaintiff and other  
14 members of the Class would not have purchased or otherwise acquired their Annie's securities,  
15 or, if they had acquired such securities during the Class Period, they would not have done so at  
16 the artificially inflated prices which they paid.  
17

18 60. By virtue of the foregoing, Defendants have violated Section 10(b) of the  
19 Exchange Act and Rule 10b-5 promulgated thereunder.  
20

21 61. As a direct and proximate result of Defendants' wrongful conduct, Plaintiff and  
22 the other members of the Class suffered damages in connection with their respective purchases  
23 and sales of the Company's securities during the Class Period.  
24

25 **SECOND CLAIM**  
26 **Violation of Section 20(a) of**  
**The Exchange Act Against the Individual Defendants**

27 62. Plaintiff repeats and realleges each and every allegation contained above as if  
28 fully set forth herein.

1           63.     The Individual Defendants acted as controlling persons of Annie's within the  
2 meaning of Section 20(a) of the Exchange Act as alleged herein. By virtue of their high-level  
3 positions, and their ownership and contractual rights, participation in and/or awareness of the  
4 Company's operations and/or intimate knowledge of the false financial statements filed by the  
5 Company with the SEC and disseminated to the investing public, the Individual Defendants had  
6 the power to influence and control and did influence and control, directly or indirectly, the  
7 decision-making of the Company, including the content and dissemination of the various  
8 statements which Plaintiff contends are false and misleading. The Individual Defendants were  
9 provided with or had unlimited access to copies of the Company's reports, press releases, public  
10 filings and other statements alleged by Plaintiff to be misleading prior to and/or shortly after  
11 these statements were issued and had the ability to prevent the issuance of the statements or  
12 cause the statements to be corrected.  
13

14  
15           64.     In particular, each of these Defendants had direct and supervisory involvement in  
16 the day-to-day operations of the Company and, therefore, is presumed to have had the power to  
17 control or influence the particular transactions giving rise to the securities violations as alleged  
18 herein, and exercised the same.  
19

20           65.     As set forth above, Annie's and the Individual Defendants each violated Section  
21 10(b) and Rule 10b-5 by their acts and/or omissions as alleged in this Complaint. By virtue of  
22 their positions as controlling persons, the Individual Defendants are liable pursuant to Section  
23 20(a) of the Exchange Act. As a direct and proximate result of Defendants' wrongful conduct,  
24 Plaintiff and other members of the Class suffered damages in connection with their purchases of  
25 the Company's securities during the Class Period.  
26  
27  
28



**PRAYER FOR RELIEF**

WHEREFORE, Plaintiff prays for relief and judgment, as follows:

(a) determining that this action is a proper class action under Rule 23 of the Federal Rules of Civil Procedure;

(b) awarding compensatory damages in favor of Plaintiff and the other Class members against all defendants, jointly and severally, for all damages sustained as a result of Defendants' wrongdoing, in an amount to be proven at trial, including interest thereon;

(c) awarding Plaintiff and the Class their reasonable costs and expenses incurred in this action, including counsel fees and expert fees; and

(d) such other and further relief as the Court may deem just and proper.

**JURY TRIAL DEMANDED**

Plaintiff hereby demands a trial by jury.

Dated: June 11, 2014

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*Attorneys for Plaintiff Steven Taormina*

**SWORN CERTIFICATION OF PLAINTIFF**

Annie's, Inc, **SECURITIES LITIGATION**

I, Steven Taormina, certify that:

1. I have reviewed the complaint and authorized its filing.
2. I did not purchase Annie's, Inc, the security that is the subject of this action at the direction of plaintiff's counsel or in order to participate in any private action arising under this title.
3. I am willing to serve as a representative party on behalf of a class and will testify at deposition and trial, if necessary.
4. My transactions Annie's, Inc, during the class period set forth in the Complaint are as follows:

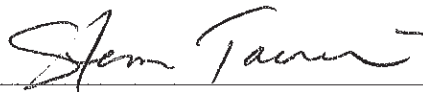
See Attached Transactions

5. I have not served as a representative party on behalf of a class under this title during the last three years except as stated:
6. I will not accept any payment for serving as a representative party, except to receive my pro rata share of any recovery or as ordered or approved by the court including the award to a representative plaintiff of reasonable costs and expenses (including lost wages) directly relating to the representation of the class.

☐ Check here if you are a current employee or former employee of the defendant Company.

I declare under penalty of perjury that the foregoing are true and correct statements.

Dated: 6/10/2014



(Please Sign Your Name Above)

STEVEN TAORMINA

**Steven Taormina's Transactions in Annie's Inc. (BNNY)**

<b>Date</b>	<b>Transaction Type</b>	<b>Shares</b>	<b>Price</b>	<b>Amount</b>
10/23/2013	Purchase	50	47.4000	\$ 2,370.00